



# **Update on Impact of Changes in FY 2010 Budget**

**Legislative Budget Committee  
July 20, 2009**

Dr. Andrew Allison, KHPA Acting Executive Director



# **KHPA in Transition: Establishing New Priorities**



# Board Review of Circumstances Facing KHPA's Next Phase

- **New economy**
  - Immediate reductions in funding for KHPA operations
  - Reductions possible in operations and services in FY 2010
  - Large structural deficit that grows substantially with expiration of Federal stimulus dollars in 2011
- **New leadership**
  - Transitions in statehouse since KHPA's founding
  - Transition in KHPA leadership
- **New federal administration**
  - New President focused on quickly advancing major health care reforms
  - Former Governor Sebelius in position of national leadership
  - Reform options encompass many of KHPA's health policy recommendations and could have a substantial impact on state health care programs



## Direction from KHPA Board

- Refocus resources on core program operations
- Position the state for national health reform
- Help secure available ARRA (stimulus) funds for state initiatives in health information technology and exchange
- Complete transformation into an accountable, data-driven agency
- Maintain a broad health agenda
- Work closely with Governor and Cabinet agencies
- Solicit feedback from policymakers



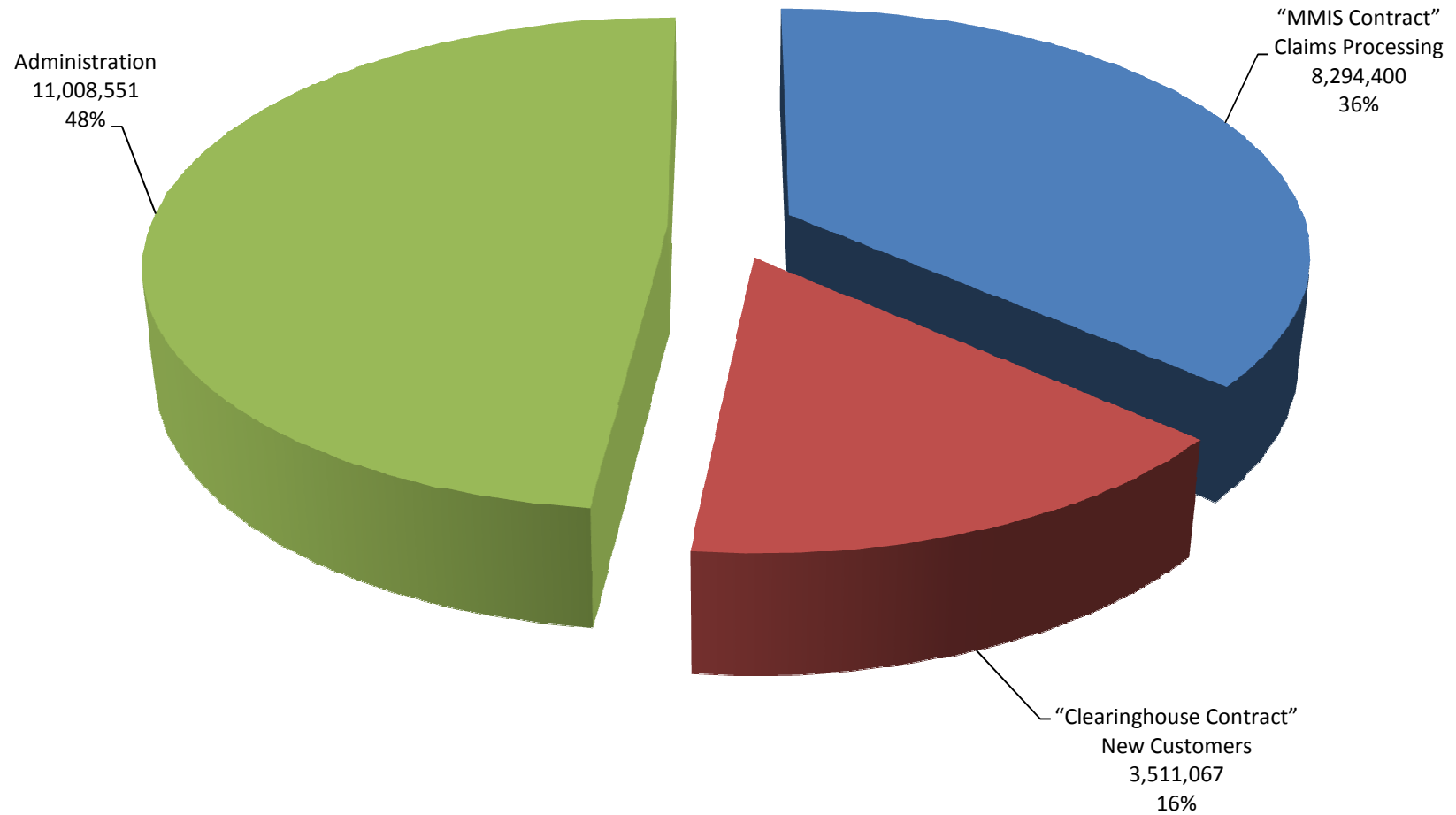
# **Status of KHPA's Budget FY 2009-2010**



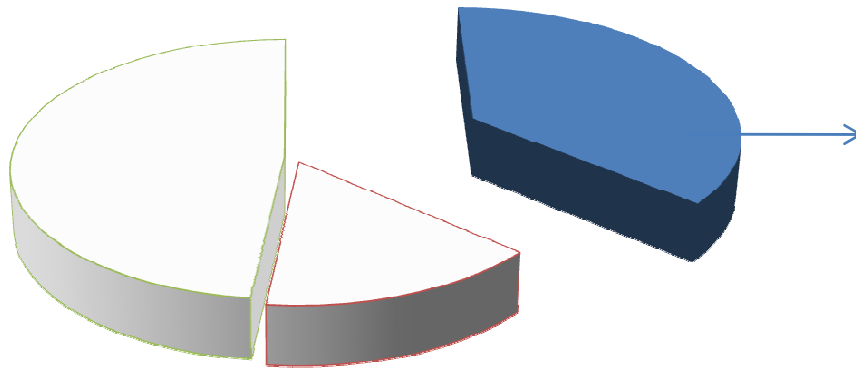
# Brief Overview of KHPA's Budget

- **KHPA's FY 2009 budget was about \$2.6 Billion**
  - \$1.36 billion is non-SGF funding for KHPA medical programs
  - \$0.8 billion is federal funds passed through to other Medicaid service agencies (SRS, KDOA, JJA, KDHE)
  - \$0.46 billion is SGF funding for services and operations
- **KHPA programs and operations are funded separately**
  - FY 2009 operational funding was \$23 million SGF
  - Caseload costs are about 20 times larger than operational costs
  - Caseload savings cannot be credited to cost-saving operations
  - The federal government matches Medicaid operations at 50-90%
  - Operational costs for the state employee plan are funded off-budget
- **KHPA FY 2010 budget reductions concentrated on operations**
  - Medicaid caseload protected due to Federal stimulus dollars
  - KHPA operations reduced 15.5% versus FY 2009

**KHPA Operational Budget**  
**Base = FY 2009 Budget: \$22,814,018 (SGF)**



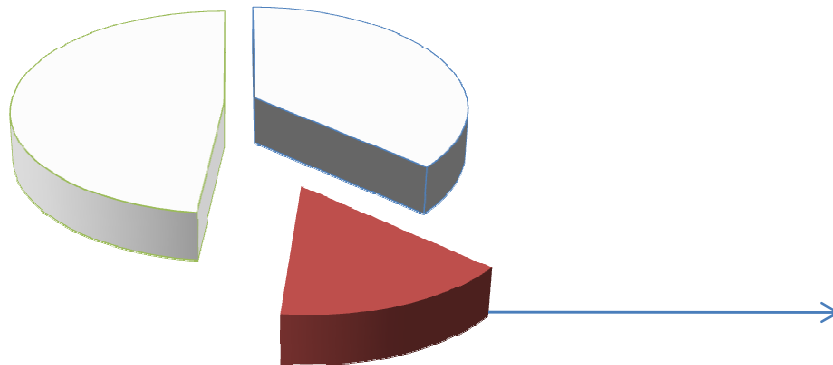
## KHPA Functions at a Glance: Claims Processing (\$8.3 Million)



- Medicaid Management Information System (MMIS) - federal mandate: data processing system that manages claims and payments; assures compliance with state plan
- Surveillance Utilization Review Subsystem (SURS) - federal mandate: identifies waste, fraud and abuse
- Payment Error Rate Measurement (PERM) – federal mandate; assures program integrity
- Customer and Provider Service Call Centers: answer calls from providers, beneficiaries with billing, eligibility and other questions.
- FY 2009: Processing avg. 1.5 million claims per month
- Disbursing avg. \$197 million per month in payments to providers
- Call Centers handling 21,127 incoming calls per month
- Outsourced to independent contractor
- Most costs fixed: volume-based contract



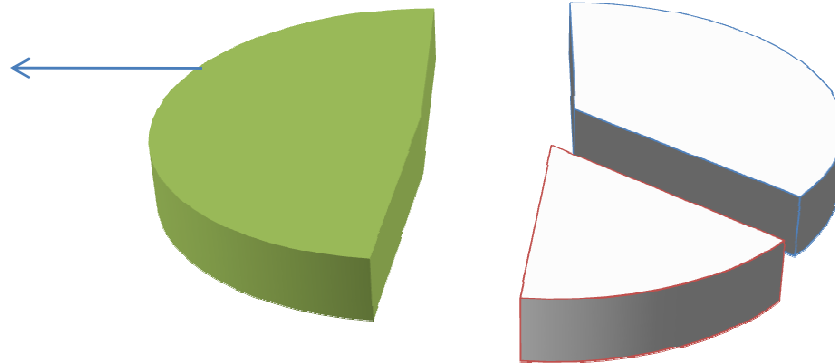
## KHPA Functions at a Glance: Clearinghouse (\$3.5 Million)



- Processes Medicaid and SCHIP applications for coverage: federal mandate to process an application within 45 days
- Similar to a “sales” department in private sector
- Issues new policies
- Screens applicants for eligibility
- Unified application process: One application for family; screens for all eligible services
- Workload fluctuates with economy
- Majority of work outsourced
- FY 2009 – Receiving an average of 10,736 applications and reviews per-month
- ***Backlog of applications already growing as economy worsens***

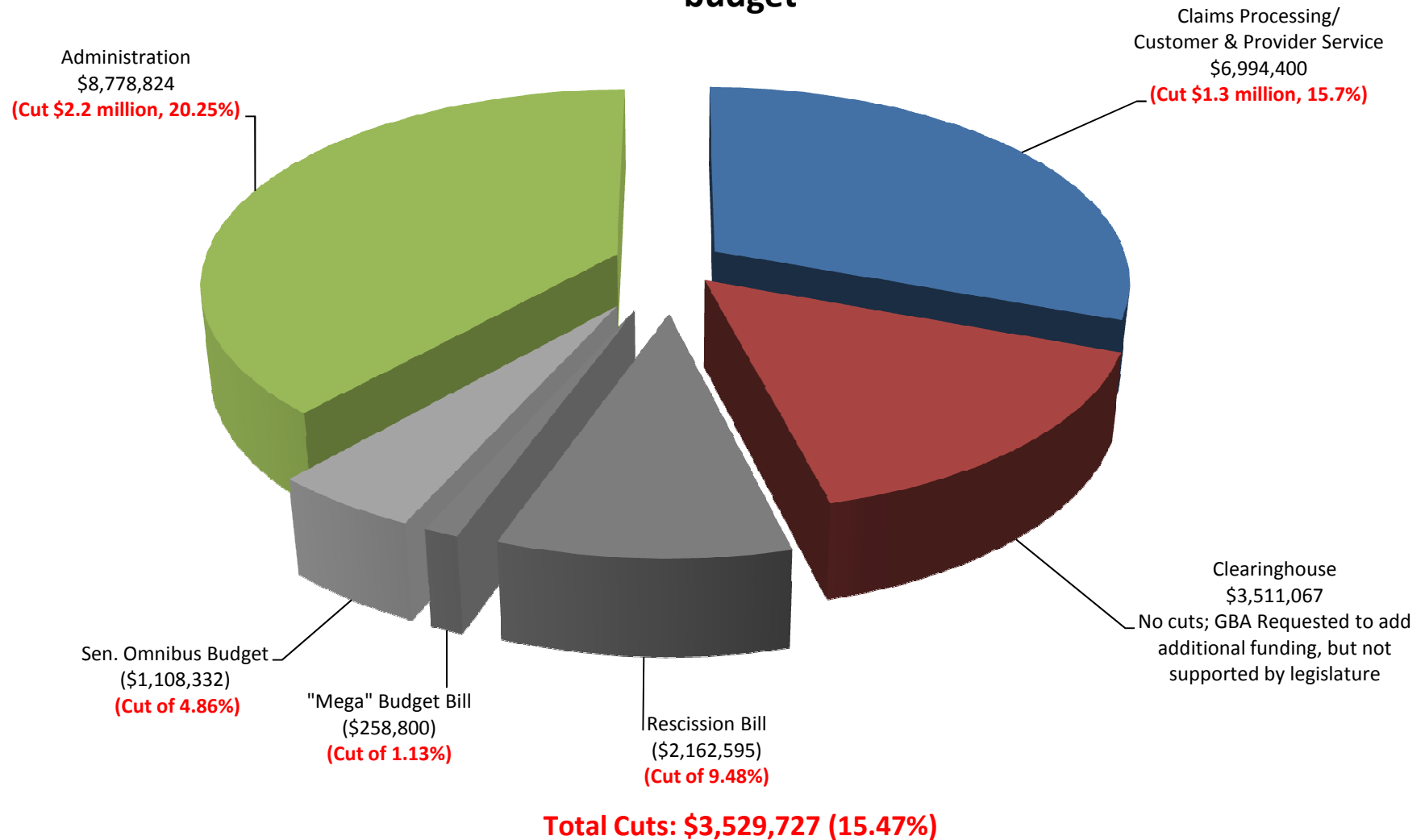
## KHPA Functions at a Glance: Administration (\$11 Million)

- Finance and Operations: budget; accounting; financial reports; purchasing
- In-house eligibility and claims processing (required by federal law)
- Actuarial Analysis: data evaluation; risk assessment; long-range planning
- Program management: quality improvement; risk management; cost control
- Human Resources
- Information Technology
- Legal Services
- Governmental and Stakeholder Relations
- Communications/Public Relations
- Physical Plant: rent; utilities; equipment; supplies



# KHPA Operational Budget

## Distribution of FY 2010 Budget Cuts as compared to approved base budget





# Adjusting to New Targets



# Summary of Agency Response to FY 2010 Budget Shortfall

- **Reduced internal operational costs by \$2.2 million SGF**
  - Eliminated contracts not directly related to program operation (see p.11)
  - Eliminated 14 positions that resulted in 13 staff layoffs
  - Cumulative staff reductions of 15% with unfilled vacancies
  - Eliminated policy division
  - Reduced executive positions from 5 to 4, eliminating more than 20% of executive salaries
- **Reduced contract Medicaid operations by \$1.3 million SGF**
  - Reductions in staffing at the Medicaid fiscal agent (EDS) of 42 FTEs
  - Key areas affected are in customer and provider services
- **Changes to the agency's structure and focus**
  - Eliminated or scaled back policy, communications, and outreach efforts
  - Maintain efforts to identify savings and efficiencies in program costs
  - Extending focus on data-driven efficiency to all KHPA programs
  - Restructured organization to emphasize efficiency and accountability



# Contractual Reductions

## **Contracts eliminated in FY 2009**

- Enhanced care management pilot
- Community health record pilot
- Kansas Legal Services aid for Federal disability applicants
  - (contracting authority transferred to SRS in FY 2010)
- Kansas Health Online consumer portal for health information
- Oregon Health Sciences program for evidenced-based management of prescription drugs

## **Contract scheduled to terminate January 2010**

- Kansas Foundation of Dentistry for the Handicapped



# Impact of Operational Cuts

- **As many as 30,000 to 50,000 People with Delayed Medicaid/SCHIP Applications by December 2009**
  - \$25 - \$30 Million in uncompensated or foregone medical care, delayed payments
  - \$15 - \$20 Million in foregone federal funding
  - Needed medical care delayed; negative health outcomes
  - Compliance with 45-day limit for eligibility processing at risk
- **Approximately 40% Cut in Customer and Provider Service**
  - Affects 25,000 Medicaid providers' ability to ensure access for their patients; receive prompt payment for services
  - Potential delays in pharmacy care
  - 300,000 beneficiaries lose resource to resolve eligibility, coverage questions
  - Increase customer service demand on SRS, Aging, JJA
- **Staff Layoffs: 13 positions (July 2010)**
  - Another 30+ funded positions held open or eliminated with turnover
  - Cumulative reduction in staffing of 15%
- **KHPA staff will be working to minimize the impact of reductions**
  - Meet regularly with the Medicaid community to identify new approaches
  - Continue to scrutinize operational funds to identify available savings



## FY 2010 Governor's Allotments

- FY 2009 Caseload Savings (5,300,000)
- Expansions to Pregnant Women (524,000)
- Increased FMAP Rate (6,300,000)
- No impact on current services





<http://www.khpa.ks.gov/>